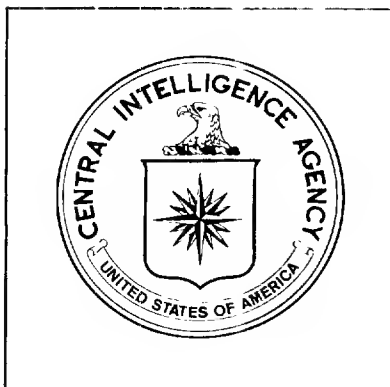


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State Dept. review completed

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SOVIET UNION - EASTERN EUROPE

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C O N T E N T S

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Nonconformist Art Show
in Leningrad a Success

Leningrad, whose city fathers have usually been tough on nonconformist cultural activity, is currently having its second successful exhibit of local nonconformist art in as many years. The opening of the officially sanctioned show on September 10 was marred only by the private protests of three artists who were barred by authorities from exhibiting their work.

US embassy officers who visited the show last Saturday report that the local artists are pleased with the exhibit arrangements and regard its success so far as a good omen for a similar, but larger, ten-day show scheduled to open in Moscow on Saturday.

Early negotiations between the Leningrad artists and the municipal authorities were not accompanied by the same rancor and mutual threats as last year, and the size and location of exhibit facilities are better; 88 artists are participating in contrast with 50 a year ago.

Although the artists--only one of whom is a member of the artists' union--were not allowed to advertise, Leningrad radio mentioned the exhibit three days before it opened. The Soviet media seldom give advance notice of a nonconformist exhibit.

The art exhibit is predominantly surrealist and abstract, although there are also realistic works that fall short of the officially desired "socialist realism." No prior censorship of the exhibits was required, save for a ban on "anti-Soviet," religious, and "pornographic" art. Several of the works, nevertheless, reportedly show subtle religious and Jewish themes.

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The opening was attended by a small, but enthusiastic crowd of Leningrad and Moscow intellectuals and a handful of foreign diplomats. Despite heavy police surveillance and strict control, attendance increased to over 3,700 persons on the third day of the exhibit.

Although local authorities negotiated the arrangements for both shows, the go-ahead for both the Moscow and Leningrad shows probably originated in the Central Committee of the Soviet Communist Party. The regime evidently decided to permit the exhibits in order to avoid a repeat of the anti-Soviet articles in the Western press that followed the aborted Moscow art show on September 15 last year.

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Soviet Hard Currency Problems
Affect Future Purchases

At a recent Politburo meeting, the Soviet leadership reportedly postponed 12 of 25 major projects under consideration for the Soviet oil industry. The decision to delay development in an acknowledged high priority area may have been influenced by uncertainties regarding the USSR's hard currency balance of payments.

Several factors have contributed to the uncertainty. The Western recession has caused a sharp fall in Soviet exports while imports have continued to rise rapidly. The USSR's balance of trade with its six major Western trading partners has turned around completely--from a \$400-million surplus during the first half of 1974 to a \$1.5-billion deficit in the first six months of this year. Slow recovery in the developed countries suggests that Soviet exports through December will not show much improvement.

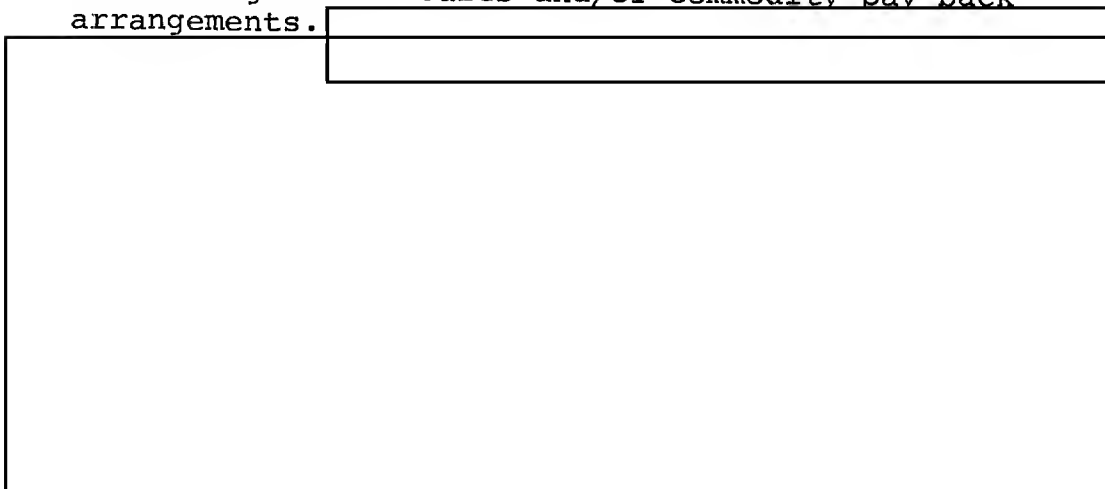
The necessity of purchasing over \$2 billion in Western grain during the next year will exacerbate current Soviet balance of trade difficulties. The USSR's hard currency trade deficit in 1975 will exceed \$2 billion and may go as high as \$3 billion by the end of the year. Sizable monthly trade deficits--barring a marked improvement in exports--will probably continue at least into early 1976.

The International Monetary Fund's recent announcement that it is considering the sale of roughly 130 tons of gold from its holdings has depressed gold prices to their lowest level in nearly a year and clouds the prospects for future Soviet gold sales.

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Moscow will have little difficulty in covering its 1975 trade deficit. The necessity of borrowing heavily on the Eurocurrency markets this year, however, may adversely affect prospects for Eurocurrency borrowing in the next year or so to buy machinery and equipment for major projects.

Projects requiring cash payments will be most affected by these uncertainties; the Soviets are therefore likely to concentrate on deals that include long-term credits and/or commodity pay-back arrangements.



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Management School Established

Pravda, August 7, announced in a small notice that an institute is being established in Moscow to teach "management science." It will apparently offer a program roughly comparable to an undergraduate business major in the US.

According to *Pravda*, the Moscow Engineering and Economics Institute has been renamed the Institute of Management. It will begin training specialists in the area of management who, upon graduation, will work on "the organization of production" in "industry, construction, transport, and virtually any branch of the economy."

The specialty of business management has always been suspect in the Soviet Union. For many it appears to be a capitalist import that calls into question Marxist-Leninist economics and practices, party control of the economy, and worker participation in management (socialist competition in the Soviet Union).

Until now, the Soviets have stopped short of creating a full academic program in management science. Academician V. A. Trapeznikov has long run the Institute of Control Problems, but it is a research organization. The Institute of Management of the National Economy, established in 1971, offers only short-term courses, usually three months, to high-level bureaucrats and managers. Proponents of business management have decried the absence of trained managers, usually focusing blame on the inaction of the Ministry of Higher and Specialized Secondary Education.

Over the years, one of the strongest advocates of business management has been Kosygin's son-in-law, Dzherman Gvishiani. Both Kosygin and Kirilenko

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have shown an interest in the Institute of Management of the National Economy. Although Brezhnev may be somewhat flexible on the subject, he made a strong call in December 1973 for taking a "party approach," rather than a "narrow economic" or "technocratic" approach, to economic administration. Brezhnev proteges have also voiced this orthodox theme. In May 1973, Ukrainian First Secretary Shcherbitsky attacked the idea of creating a privileged managerial stratum and adopting managerial schemes borrowed from bourgeois concepts.

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Personality Cult, Bulgarian Style

The growing "personality cult" surrounding party and state chief Todor Zhivkov is becoming increasingly evident.

Zhivkov recently was host at an all-day sight-seeing tour to his native village of Pravets for ambassadors accredited to Sofia. After being treated to the usual fare of factories and model farms, the group visited Zhivkov's birthplace--now enshrined in a small park.

Most remarkable was a "pleasure dome" for formal occasions at the village motel. According to the US embassy, the pagoda-shaped facility reposes in the middle of an artificial lake. On the inside, "enormous silk canopies cascade from its peak." Embassy officers speculate that Zhivkov drew inspiration from his visit last November to Iran, where he viewed the Shah's facilities for visiting royalty at Persepolis. Zhivkov showed no embarrassment that his birthplace has been transformed into a shrine during his lifetime.

Zhivkov would like to capitalize on his role as the dean of Eastern Europe's ruling party chiefs. He has been making more frequent visits to foreign capitals and has sent his foreign minister on numerous foreign excursions. References in the press to Zhivkov's "personal contribution" to improved Balkan cooperation and detente have grown, and media coverage of Zhivkov's activities and those of his daughter, Lydumila, who holds a government post with ministerial rank, has increased.

Although Zhivkov's cult of personality is unlikely to match that of Romania's Ceausescu, his increasing visibility is nonetheless an oddity in

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Sofia. The promotion of his daughter to a high post may evoke charges of nepotism and could intensify strains within the leadership. Bulgaria's nationalists, however, may view Zhivkov's greater prominence as a small show of independence from Moscow.

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